

CERTIFIED MAIL

12 OCT 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

You state that the purpose of this organization shall be to carry on social intercourse and the interchange of ideas between women in America of [REDACTED] heritage. You plan to provide financial aid for education to American children having at least one parent of [REDACTED] heritage. You also plan to issue scholarships to underprivileged children of any background. Your final goal is the preservation and dissemination of information about [REDACTED] to the general public.

[REDACTED] is a membership organization which currently has [REDACTED] members. The qualifications necessary for membership in the organization are to be born in [REDACTED], to speak the [REDACTED] language, and to be at least 18 years of age.

The majority of your time will be devoted to developing a library of [REDACTED] books and information and to the education of [REDACTED] heritage and handicrafts. Your organization, also, holds monthly meetings at which planning, the assignment of duties, and discussions of goals take place. To accomplish your goals, fundraising activities such as fashion shows and Christmas bazaars are arranged. The general public is informed of these events through the distribution of your newsletter entitled the "[REDACTED]".

Your fundraising events provide the principal portion of your income. Although membership dues are charged, the fashion shows, Christmas bazaars, and other fundraising activities produce the major revenue. Since the general public is invited to these functions, part of the funds are derived from nonmembers. You stated that a sound estimate of [REDACTED] % of the total income in both [REDACTED] and [REDACTED] has come from nonmembers. Of the [REDACTED] people attending the fashion show, [REDACTED] were nonmembers. (This constitutes one third of all present.) Of the [REDACTED] people who attended the Christmas bazaar only [REDACTED] were members and [REDACTED] individuals were nonmembers. This means that about 60% of the total in attendance did not belong to your organization. With income from attendance fees and bazaar sales, it is evident that at least [REDACTED] % of the total receipts was from nonmember sources.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	9-6-83	9/7	9-29-83	9/30/83		

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments.

It appears that a substantial portion of your income is derived from nonmember sources. Therefore, it cannot be said that you are organized exclusively for pleasure, recreation and other non-profitable purposes and that no part of your income inures to the benefit of your members.

Your attention is directed to provisions of Public Law 94-268 which states that social clubs are allowed to earn limited amounts of income from nonmember sources and investments. The new law is intended to permit an exempt social club to receive up to 33% of all gross receipts, including investment income from nonmember sources, and up to 15% of gross receipts, however, can be from the general public's use of club facilities and services.

Based on the facts shown, your organization's nonmember income has exceeded the 15% limitation. As previously stated, at least 20% of your total income stems from outside sources and nonmembers.

Furthermore, organizations which qualify under code section 501(c)(7) are organized and operated for social reasons. The main purpose is to provide enjoyment or a recreational outlet for the members. Your organization does not meet this exempt purpose. 75% of your time is dedicated to cultural and educational activities. Your desire is to establish scholarships and a library displaying [redacted] history and artifacts. You want to instruct and inform the public about [redacted] culture. Although these goals are admirable, none of them comply with the requirements of the code section under which you are applying.

Accordingly, we hold that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(7) of the Code. You are required to file Federal income tax returns annually with your District Director.

■

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 89, Exempt Organization Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination please sign and return the enclosed Form 6016.

Sincerely yours,

■
District Director

Enclosures: Form 6016
Publication 89